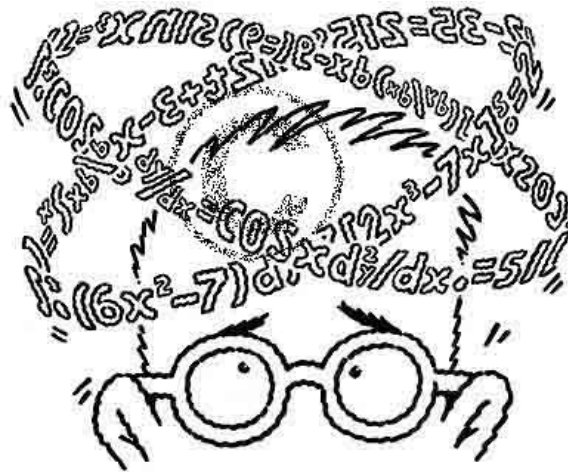


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# The application of the Rohman-Stork price basket to unlock the complexities of cellular price in Indonesia



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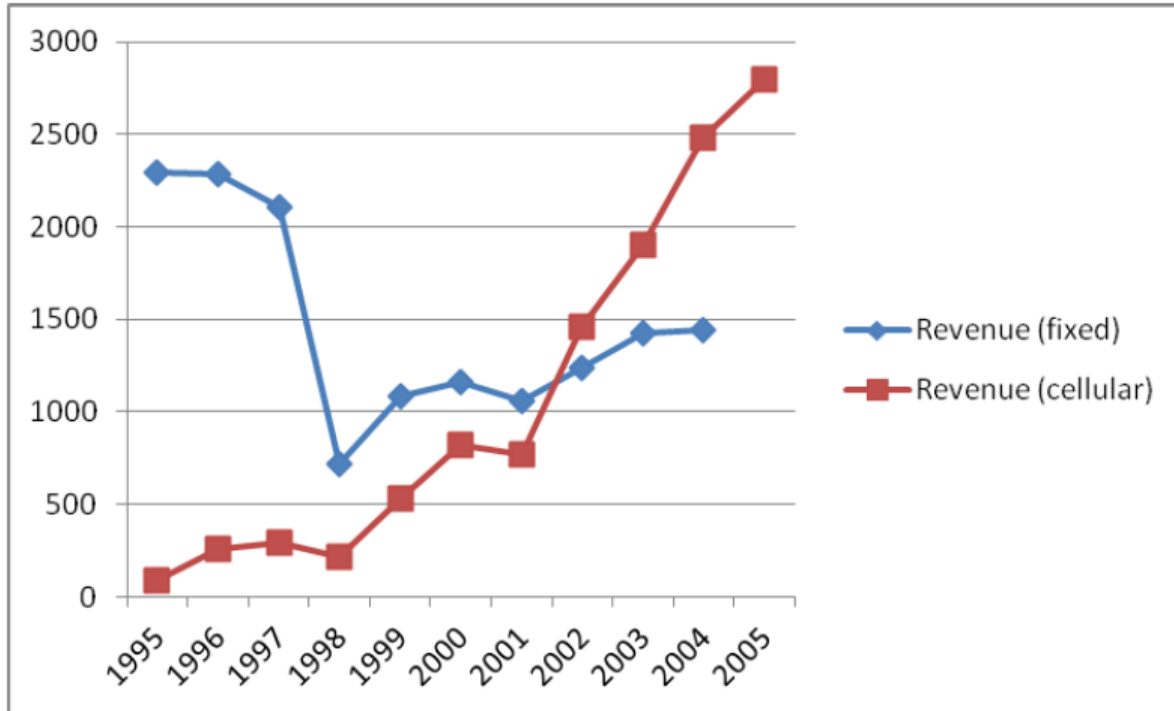


Good News,  
Everyone!



A strong macroeconomic  
foundation ( the growth and  
contribution to the GDP)

A massive increase in the  
penetration rate started  
from 2000's



A higher pace of  
diffusion rate at  
household level

A profitable market  
from the industry point  
of view (requires data  
update)

Source : ITU (2011)

Figure 5. Revenue from cellular and fixed line (in MUSD)

In terms of SIM cards, the market is less competitive (HHI 3600, CR3 =90%)



Operator	2008		2009		2010*	
	Active SIM cards	Market Share	Active SIM cards	Market Share	Active SIM cards	Market Share
Telkomsel	65,299,991	46.5%	81,643,532	49.9%	88,316,000	49.4%
Indosat	36,510,246	26.0%	33,136,521	20.2%	37,800,000	21.1%
XL-Axiata	26,015,517	18.5%	31,438,377	19.2%	35,204,000	19.7%
Hutchison CP Telecommunication	4,500,609	3.2%	7,311,000	4.5%	7,311,000	4.1%
Natrindo Telepon Seluler	3,234,800	2.3%	4,105,156	2.5%	4,105,156	2.3%
Mobile-8	2,701,914	1.9%	2,805,842	1.7%	2,805,842	1.6%
Smart Telecom	1,530,823	1.1%	2,599,665	1.6%	2,599,665	1.5%
STI	784,343	0.6%	636,868	0.4%	636,868	0.4%
Total	140,578,243	100.0%	163,676,691	100.0%	178,778,531	100.0%

\*) Part of the data refers to the period from 2009 to the first quarter of 2010

The most important thing is **PRICE TRANSPARENCY!**



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## Mobile phone — making a choice in uphill struggle

Ibrahim Kholilul Rohman and Christophe Stork, Gothenburg, Sweden | Opinion | Sat, December 03 2011, 12:43 PM

[A-](#) [A](#) [A+](#)

The significant growth of Indonesian mobile telephony to over 211 million active SIM cards in 2010 (Directorate General of Post and Telecommunications, 2011), three and half times larger than the number in 2006, has been accompanied by an overwhelming number of products and prices, thereby making an informed choice by customers nearly impossible.

**QUESTION ; if you are a pre-paid customer, are you aware of how much money do you spend for cellular services? Calling and texting.**

# (Typical) Cellular advertising in Indonesia

## Tarif juara dari kartu dan tim juara!

Aktifkan kartu TriMU dan nikmati langsung tarif juara tanpa isi ulang dan pemakaian minimum.

### • Gratis SMS 1 tahun sepuasnya ke semua operator

Jam	Ke semua operator	Keterangan
00.00 - 18.00	Gratis SMS 1 tahun, setelah kirim 1 SMS	SMS pertama Rp 1.000 lalu gratis 1 tahun
18.00 - 24.00	Gratis SMS sepuasnya sepanjang hari, setelah kirim 1 SMS	SMS pertama Rp 399 lalu gratis hingga ke kesokan harinya

- Gratis SMS 1 tahun diberikan dengan ketentuan minimum pulsa Rp 2 ribu
- Jika pulsa pelanggan dibawah Rp 2 ribu maka tarif yang berlaku adalah Rp 90 + PPN, berlaku pukul 00.00 - 18.00

### • Tarif Rp 60/nelpon

Jam	Ke sesama Tri	Ke operator lain
01.00 - 13.00	Rp 60/nelpon	24 jam Rp 500/menit
13.00 - 01.00	Rp 150/menit	

→ Free SMS to all operators for the whole 1 year

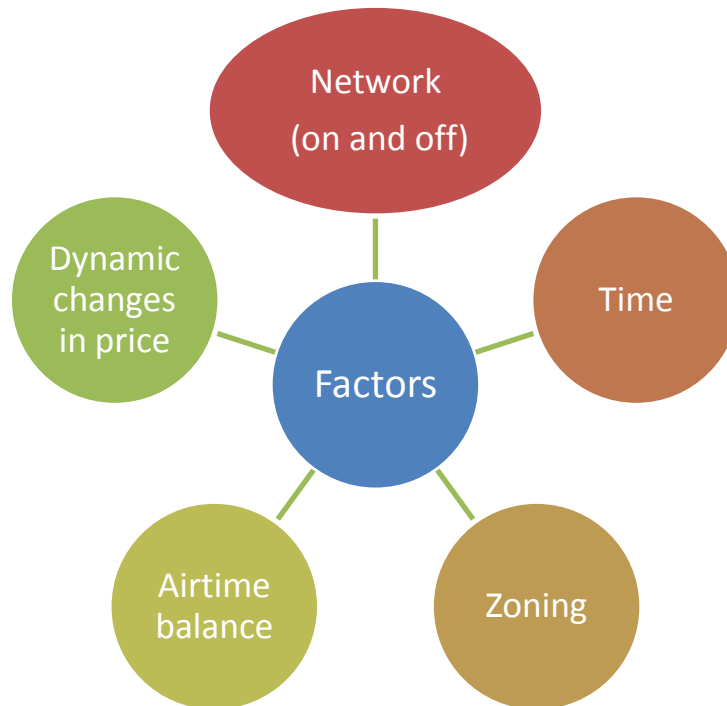
→ The customer should send the SMS for a minimum requirement needed

→ BUT, minimum airtime balance should also be kept at a certain level to enable the services. Once the balance is below this level, a normal price applies.

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**QUESTION** ; if you are a pre-paid customer, are you aware of how much money do you spend for cellular services? Calling and texting.

**ANSWER; Yes!** only if a person is good in algebra who can memorize everything.



# The existing methodology; the OECD basket

<b>Table 1: OECD mobile basket Definition 2006: Monthly call distribution, minutes and SMS</b>				
<b>Destination</b>	<b>Time</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>
Fixed	Peak	4.75	12.29	28.56
	Off Peak	2.48	5.90	9.04
	Off Off Peak	2.67	6.39	10.00
On-Net	Peak	11.98	31.80	80.60
	Off Peak	6.24	15.26	25.52
	Off Off Peak	6.74	16.54	28.21
Off-net	Peak	5.24	15.19	44.60
	Off Peak	2.73	7.29	14.12
	Off Off Peak	2.95	7.90	15.61
SMS On-Net		21.45	32.50	35.75
SMS OFF-Net		11.55	17.50	19.25



# The OECD basket: The weaknesses

- The OECD methodology of 2006 only includes dominant operators, the 2010 baskets only the two largest operators. Price changes following regulatory interventions would mainly be expected from small operators that attempt to gain market share through lower prices. On the other hand, dominant operators reflect what people actually pay better than comparing the cheapest product available in a country.
- OECD baskets do not take into account the number of people on each package and actual minutes of use for each package. No one is average and actual consumption patterns of an individual might only poorly be reflected. An alternative would be web-based tariff calculators that all users to input their actual consumption patterns.
- The same basket is used for all operators while subscribers of smaller operators are likely to have a different off-net/on-net ratio compared to larger operators.



The new basket is required:

## The Rohman-Stork price index/basket

Table 2: Rohman-Stork Price Basket								
	On-net call			Off-net Calls			SMS	
	35 sec	75 sec	200 sec	35 sec	75 sec	200 sec	On-net	Off-net
0 am-1 am	1	1	1	1	1	1	1	1
1 am-2 am	1	1	1	1	1	1	1	1

- All prepaid products are being priced for a basket constituting six calls each for every hour of the day and night (24 hours).

The new basket is required:

# The Rohman-Stork price index/basket

**Table 2: Rohman-Stork Price Basket**

	On-net call			Off-net Calls			SMS	
	35 sec	75 sec	200 sec	35 sec	75 sec	200 sec	On net	Off-net
0 am-1 am	1	1	1	1	1	1	1	1
1 am-2 am	1	1	1	1	1	1	1	1

- The distribution of calls consists of three calls of the length 35 seconds, 75 seconds and 200 seconds to the same network.
  - The call length was determined to best reflect the complexity of billing and free callings for a certain time period (30 seconds in most cases), or free calling after a required period (usually one minute).

The new basket is required:

# The Rohman-Stork price index/basket

**Table 2: Rohman-Stork Price Basket**

	On-net call			Off-net Calls			SMS	
	35 sec	75 sec	200 sec	35 sec	75 sec	200 sec	On-net	Off-net
0 am-1 am	1	1	1	1	1	1	1	1
1 am-2 am	1	1	1	1	1	1	1	1

- The calls are proportionally distributed between on-net and off-net.

The new basket is required:

## The Rohman-Stork price index/basket

Table 2: Rohman-Stork Price Basket								
	On-net call			Off-net Calls			SMS	
	35 sec	75 sec	200 sec	35 sec	75 sec	200 sec	On-net	Off-net
0 am-1 am	1	1	1	1	1	1	1	1
1 am-2 am	1	1	1	1	1	1	1	1

- The daily basket also includes one off-net and one on-net SMS per hour.

# All operators claim their products are the cheapest one, but..

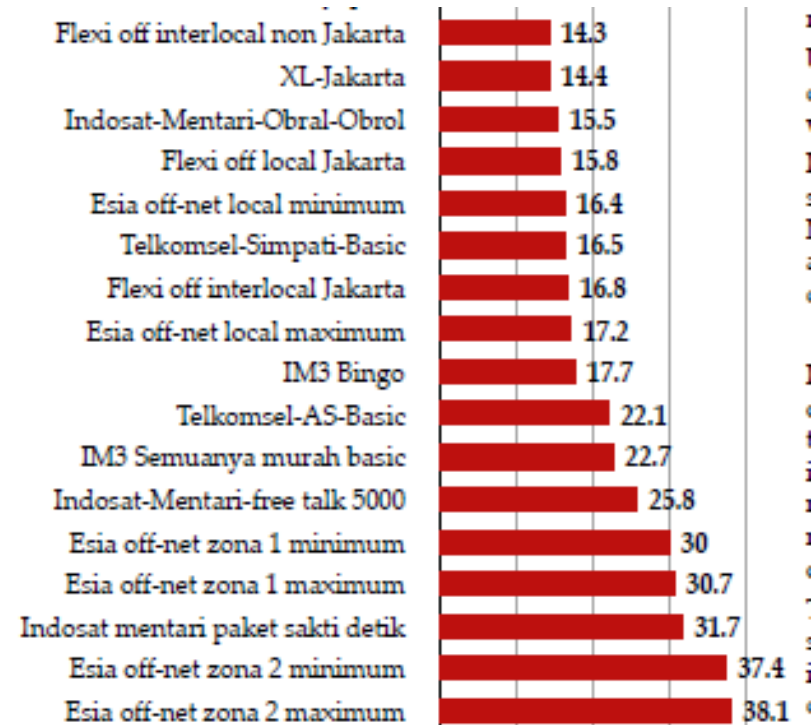
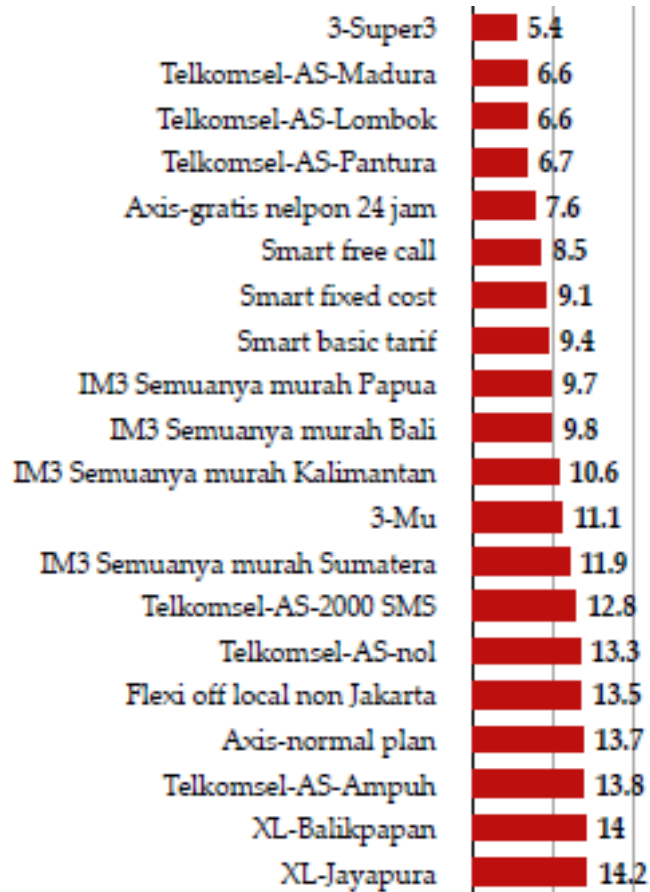
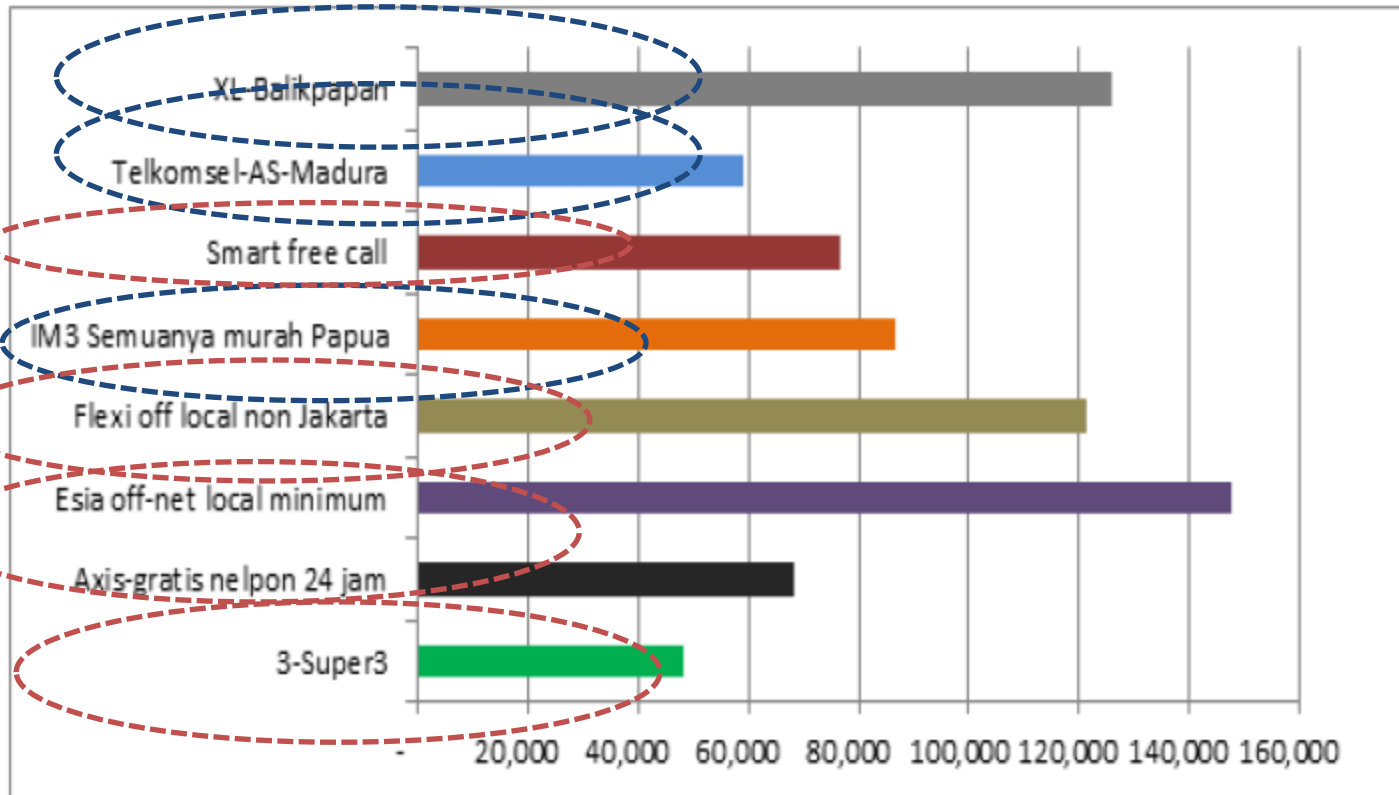


Figure 6 The cheapest price operator can offer



Small operators

Large operators

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# Summary

- Indonesia's operators offer a wide range of different prepaid products with high differences in cost to consumers with some products costing as much as seven times that of the cheapest product available for the Rohman-Stork usage basket.
- Requiring operators to cost a predefined user basket for each product and include this information in any advertisement would allow consumers to make better choices and lead to operators competing on prices more effectively, leading to lower prices in the medium to long run.



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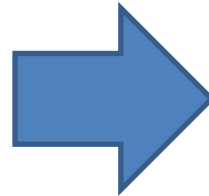
# Recommendation

- Indonesia's Telecom Regulatory Body (BRTI) could, offer users an online tool that allows them to compare product prices for their actual usage, as has been done by regulatory authorities in Europe; for instance, in Sweden
- This finding suggested the importance of price transparency to ensure that consumers are well-informed concerning the range of services and prices available.

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# Recommendation

- To do so, BRTI could use price baskets to create transparency and monitor price developments in the market.
- BRTI may even prescribe that any product advertisement would need to carry a public interest notice indicating the cost for a specific user basket, similar to cigarette advertisements having to mention potential harm caused by smoking.
- Cross country analysis can be undertaken to compare the basket of price among operators and to set the best practises.



1. Gratis internetan selama 5 hari sebesar 100 MB tanpa isi ulang, setelahnya gratis internetan seharga Rp 399\*\*.

2. Bonus pulsa Rp 10 ribu setelah isi ulang pertama min. Rp 10 ribu.


Untuk pelanggan TriMU lama:

Kirim **MAU** (spasi) **MUGO** ke 123- atau Ketik **\*123#**

Tunggu apalagi. Beli dan aktifkan kartu TriMU sekarang juga. Info lebih lanjut kunjungi [www.tri.co.id/MU](http://www.tri.co.id/MU)

\*Setelah pemakaian 150 MB akan dikenakan tarif Rp 5/10kb  
\*\*Kuota gratis internet sebesar 5 MB/hari, jika kuota gratis terlampaui tarif Rp 30/10kb  
\*\*\*Tarif belum termasuk PPN 10%, dan dapat berubah sewaktu-waktu

*Tri berhak untuk melakukan tindak lanjut atas adanya ketidakwajaran penggunaan nomor Tri, termasuk tetapi terbatas pada pemblokiran nomor seketika oleh Tri dalam hal terbukti telah terjadi atau terdapat indikasi adanya tindakan spamming.*



Three promotional cards for TriMU are shown. One is red with 'Gratis SMS Tabung' and '100 pulsa' text. Another is red with 'Let's play' and 'Kartu Perdana TriMU' text. A third is partially visible.

**WARNING: the price listed on this advertisement might not be true (BRTI)**